
PHILIPPINE REITs

(REAL ESTATE INVESTMENT TRUSTS)



MARKETS AND SECURITIES REGULATION DEPARTMENT
SECURITIES AND EXCHANGE COMMISSION



The views and opinions that are expressed in relation to this presentation are only that of the presenter and do not necessarily reflect those of the Commission, the other Commissioners, or staff members.

WHAT IS A REIT?

A **real estate investment trust (REIT)** is a stock corporation established in accordance with the Revised Corporation Code of the Philippines and the rules and regulations promulgated by the Commission principally for the purpose of owning *income-generating real estate assets*



THE 3 ENTITIES RECOGNIZED UNDER THE REIT IRR



FUND MANAGER



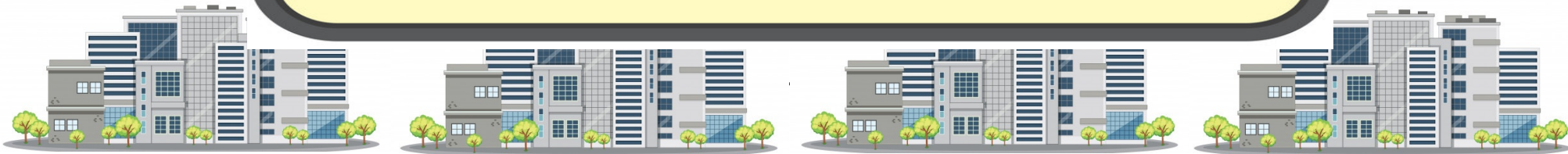
PROPERTY
MANAGER



PROPERTY VALUER

FUND MANAGER

- ✓ Implements the investment strategies of the REIT by determining the allocation of the deposited property to the allowable investment outlets and selecting income-generating real estate;
- ✓ Oversees and coordinates property acquisition, leasing, operating and financial reporting, appraisals, audits, market review, accounting and reporting procedures, and refinancing and asset disposition plans



FUND MANAGER REQUIREMENTS



INDEPENDENCE

- at least one (1) Independent Director must have a working knowledge of the real estate industry, fund management, corporate finance, or other relevant finance-related functions



COMPETENCE

- its chief executive officer and not less than two (2) of its full-time professional employees have a track record and experience in financial management as well as experience in the real estate industry for at least three (3) years prior to their employment.



FINANCIAL RISK MANAGEMENT

- with a minimum paid-up capital of Fifty Million Pesos (Php 50,000,000.00)

PROPERTY MANAGER

- ❖ Plans the tenant mix and identifies potential tenants;
- ❖ Formulates and implements leasing strategies;
- ❖ Enforces tenancy conditions;
- ❖ Ensures compliance with government regulations in respect of the real estate under management;
- ❖ Secures and administers routine management services, including security control, fire precautions, communication systems and emergency management;
- ❖ Maintains and manages the physical structures/ real properties; and
- ❖ Formulates and implements policies and programs in respect of building management, maintenance and improvement.



PROPERTY MANAGER REQUIREMENTS

- Independent Directors comprise the majority of the Board of Directors, at least two (2) of whom must have a working knowledge of the real estate industry

INDEPENDENCE



- It shall possess sufficient human, organizational and technical resources for the proper performance of its duties, including: two (2) responsible officers each of whom shall have at least three (3) years track record in property portfolio management, and at least one (1) of the responsible officers shall be available at all times to supervise the business of the Property Manager, including asset and property management.

COMPETENCE




- It must employ either a real estate consultant, real estate appraiser, or a real estate assessor, who must be subject to compliance with relevant laws

MINIMUM QUALIFICATIONS




PROPERTY VALUER

- 
- ✓ A REIT shall appoint a duly accredited Property Valuer to prepare a full valuation of a REIT's assets at least once a year
 - ✓ Shall produce a valuation report on real estate to be acquired or sold by the REIT or where new shares are offered by the REIT or in any other circumstances required by the Commission.



ALLOWABLE INVESTMENTS

 **Income-Generating Real Estate** – real property held for generating a regular stream of income such as rentals, toll, fees, user’s fees, ticket sales, parking fees and storage fees

 Investments in income-generating real estate located:

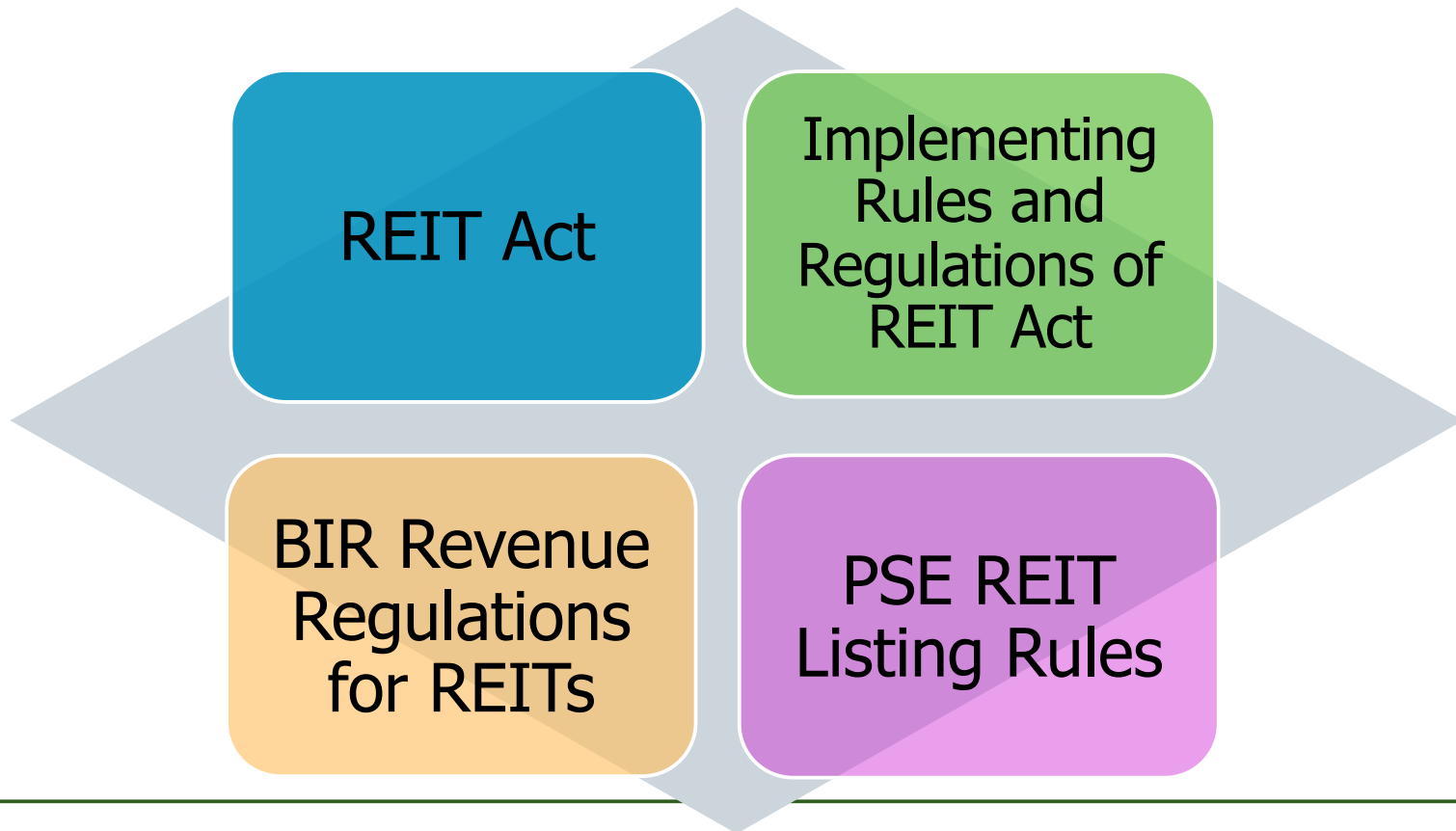
in the Philippines:



outside the Philippines:

shall not exceed 40% of the Deposited Property (upon special authority from SEC)

REIT FRAMEWORK



REIT FRAMEWORK: SALIENT FEATURES



Objectives

- Democratize wealth and diversify risk



Dividends

- At least 90% of distributable income



Registration and Listing

- the shares of stock of a REIT shall be registered with the SEC and listed on the PSE



Capitalization

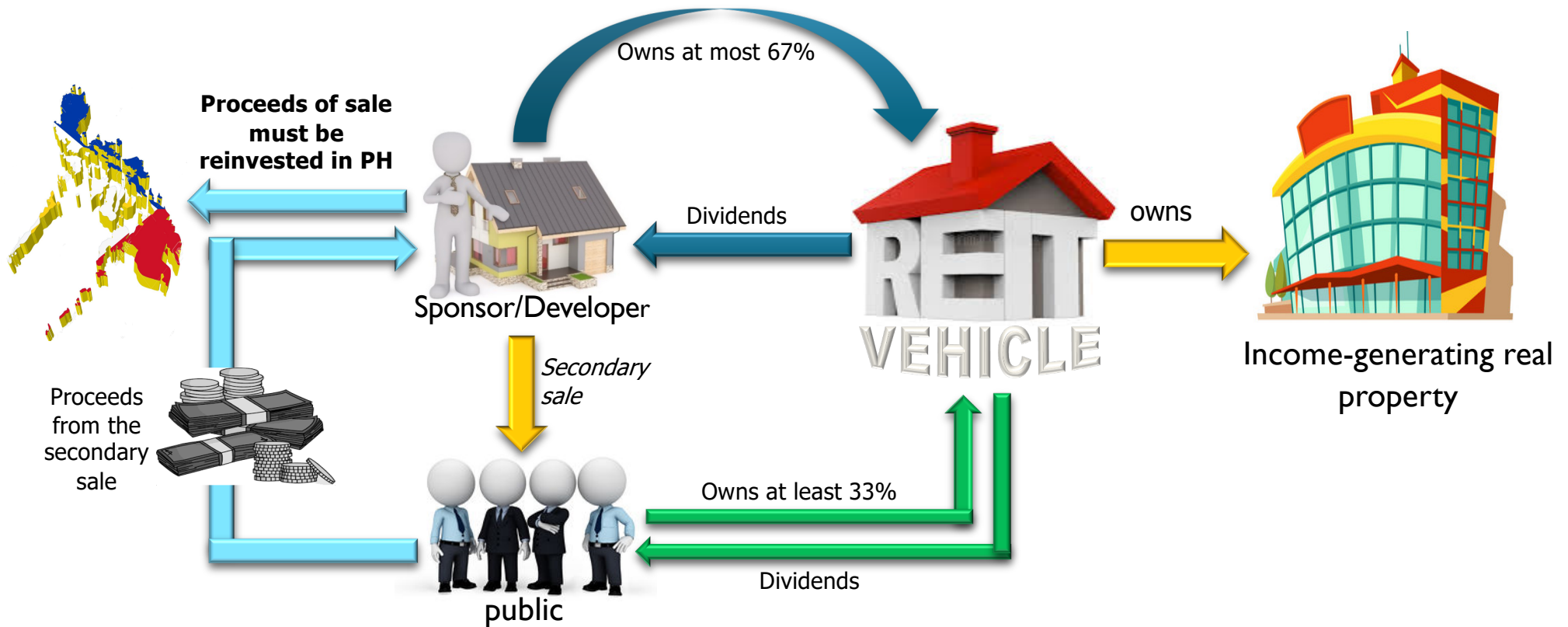
- Php 300 Million (minimum)



Income-generating real estate

- At least 75% of the REIT's deposited property must be invested in, or consist of, income-generating real estate

BASIC REIT TRANSACTION FLOW



INVESTING IN REIT

Investment in a REIT shall be by way of subscription to or purchase of shares of stock of the REIT.

No shares of stock of the REIT shall be offered for subscription or sale except in accordance with a REIT Plan and other requirements and restrictions as may be prescribed by the SEC.

REINVESTMENT IN THE PHILIPPINES

Firm undertaking to **reinvest** in **Philippine (1) Real Estate or (2) Infrastructure Projects** :



(a) any proceeds realized by the Sponsor/Promoter from the sale of REIT shares or other securities issued in exchange for income-generating Real Estate transferred to the REIT



(b) any money raised by the Sponsor/Promoter from the sale of any of its income generating Real Estate to the REIT

REINVESTMENT IN THE PHILIPPINES



- This reinvestment shall be made **within one (1) year** from the date of receipt of proceeds or money by the Sponsor/Promoter.
- The reinvestment shall be in either **(a) Real Estate or (b) Infrastructure in the Philippines**
- The **exchange shall furnish the Commission with a copy of the Reinvestment Plan** within three (3) days from receipt thereof.
- The **exchange shall also adopt in its rules the appropriate mechanism, internal controls,** and procedures to include, among others, requiring the Sponsor/Promoter to be a party to the Listing Agreement and prescribing reporting requirements to monitor the REIT.

PROTECTIONS AFFORDED TO INVESTORS

rules on MPO, conflict of interest, related party transaction, limitations on compensation and fees paid by a REIT, restrictions on investment activity of a REIT, fit and proper rule and rules on oversight of independent directors.

- creation of a related party transactions committee
- Rules on Material Related Party Transactions for Publicly-Listed Companies

- REIT is subject to the stringent rules of SEC and the Disclosure Rules of PSE
- Sanctions are in place for violations of the applicable laws, rules and regulations

THANK YOU!

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